Economic Policy Reform and Competitiveness Project

POTENTIAL IMPACT OF THE END OF THE MULTI FIBER AGREEMENT ON MONGOLIA'S TEXTILE INDUSTRY

Draft Briefing Paper submitted to the Government of Mongolia

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ABBREVIATIONS AND ACRONYMS

MFA	Multi Fiber Agreement
COP	Chief of Party
EPRC	Economic Policy Reform and Competitiveness Project
NGO	Non-government Organization
ATC	Agreement On Textiles and Clothing
MFA	Multi-Fiber Agreement
GATT	General Agreement on Tariffs and Trade
WTO	World Trade Organization
USAID	United States Agency for International Development
MFN	Most Favored Nation
NTR	Normal Trade Relations
RTA	Regional Trade Agreements

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SECTION I: THE END OF THE QUOTA SYSTEM AND ITS IMPLICATIONS FOR MONGOLIA

Mongolia sells most of its textile and apparel products in the US. From 1st January 2005 US quotas on textile and apparel products will disappear entirely and the US market will become increasingly competitive as quantitative restrictions fall away. Mongolia has enjoyed the advantage hitherto in the US market of not being subject to US quotas for its products. [1]

Low-cost suppliers in other countries will no longer have textile and apparel products subject to the artificial limitations of quotas, which have held back their quantitative exports to the US market. The removal of restrictions represents a cut in production costs for them as they take advantage of economies of scale and administrative savings.[2]

In 2003 Mongolia exported textile and apparel products worth USD180 million to the US (about 30% of its total world exports).[3]

A. Background

Since the early 1970's the US, EU, Canada and Norway have maintained strict limits (quotas) on the amounts of textile and apparel products entering their markets. These limits were maintained especially against low-cost producers' products and were in addition to more usual taxes levied on imports such as customs duties or VAT. The Multi-Fiber Agreement of 1974 (MFA) permitted such quotas to be maintained, notwithstanding the general prohibition of the General Agreement on Tariffs and Trade (GATT) on import and export restrictions.[4]

The US, EU , Canada and Norway concluded a large number of bi-lateral agreements with developing countries, within the framework of the MFA, setting strict limits on imports of textiles and clothing. However, in order to secure agreement to the Uruguay Round of trade agreements (1994) and the establishment of the World Trade Organization (WTO) it was necessary for these countries to concede that GATT disciplines should be extended to include textiles and clothing. The system of quotas for fibers generally was agreed to be phased out over a ten year period under the Agreement on Textiles and Clothing (ATC).

B. Integration into quota free trade

The MFA quotas have been subject to four- stage integration into quota-free trade. Integration has taken place already in the periods: 1995-97 and 1998-2001 and is taking place for the period 2002-2004. The largest integration of quotas will occur on the 1st January 2005 when about half of remaining products will have quotas removed. This last half is made up of the most sensitive products for the US, EU, Canada and Norway- those which these countries make themselves domestically.[5]

[1] See Annex 5 United States' Final Integration by Phase
[2] See Annex 3 Quota as Export Tax Equivalent
[3] See US ITA
[4] See Art.XI (GATT)
[5] Infra

C. Current attempts made to delay the removal of quotas

Istanbul Declaration 4th March 2004

The predicted implications of the end of the quota system for producers of textiles and apparel have recently been set out in an open letter to the WTO from US, Mexican and Turkish industry associations, seeking to delay the removal of quotas for a further two years. China opposes any slippage of the timetable.[6]

WTO

On 3rd August WTO Director General Supachai Panitchpakdi held informal consultations with a range of WTO members at the request of Mauritius for an emergency meeting of the WTO Council for Trade in Goods to examine the adjustment costs related to quota abolition.[7]

US

In a separate development in June 2004 US President George Bush rejected an appeal by more than 130 Republican and Democrat members of Congress who had asked the administration to persuade the WTO to delay scrapping textiles and apparel quotas.[8]

Official notifications

The United States and the European Union have officially notified the WTO that they are moving ahead with the final phase-out by the end of this year.

It does seem that the abolition of quotas will be achieved therefore on the 1st January 2005.

D. Immediate consequences of the end of the quota system for Mongolia

There is likely to be an increase in competition in the US market following the removal of quotas, savings in production costs for producers in former quota countries, and the end of the need for purchasers in the US to take their supplies from multiple suppliers.

Countries which will gain quota-free access to the US market by 1st January 2005

Bahrain	Hong Kong	Mexico	Thailand
Bangladesh	Hungary	Myanmar	Turkey
Brazil	India	Nepal	United Arab Emr.
Bulgaria	Indonesia	Oman	Uruguay
China	Jamaica	Pakistan	Ukraine
Columbia	Japan	Panama	Vietnam?
Costa Rica	Korea	Philippines	
Czech Rep.	Kuwait	Poland	
Dominican Rep.	Laos	Qatar	
Egypt	Lesotho	Romania	
El Salvador	Macau	Singapore	
Fiji	Macedonia	Slovakia	
Guatemala	Malaysia	Sri Lanka	
Haiti	Mauritius	Taiwan	

Source: WTO

6 See Annex 4
7 See WTO website (textiles)
8 US House of Congress (www.house.gov)

D1. More textile and apparel products sold and increased competition

Producers based in countries which are currently subject to quota will be able to sell unrestricted amounts of textiles and apparel in the rich markets of the US , EU, Canada and Norway. They will benefit from economies of scale with the need for artificially reduced product runs eliminated.

Mongolia has attracted investment in textile and apparel industries, mostly from China and Hong Kong. An advantage of manufacturing products in Mongolia- quota-free access to the US –for Mongolia based companies, will come to an end.[9]

D2. Reduced production costs for producers located in former quota countries

Producers will no longer have to purchase licenses from their host governments to use part of that country's quota- so reducing their production costs.[10]

Mongolia's production costs had no quota-premium component resulting from license purchase either from the government or on the open market. From 2005 producers in competitor countries will be able to eliminate these costs themselves.

D3. Increased efficiencies in the production process

Producers will no longer need to re-locate manufacturing facilities to countries which have not been subject to quota for a particular product or send material to those countries to be made up into garments in order to take advantage of their quota- free status.

Mongolia's exports to the US are mostly of made-up cotton apparel products. The cotton [11]is imported and, with some exceptions, attracts import duties. Assuming no capacity constraints in the producers' home countries, there would be no need to move material to Mongolia for such value to be added and duties paid. Mongolia has no domestic cotton production.

D4. Streamlined supply sources for textile and apparel products

Purchasers of textile and apparel products in the markets of the US, EU, Canada and Norway will be able to source their products from fewer supplier countries since the quota-free advantage will have been eliminated. They may choose countries with a wide range of value-added products

To the extent that Mongolia competes in products with countries able to source large quantities with attendant economies of scale, it is likely to lose market share. Regrettably Mongolia offers very restricted products ranges at the current time.

[9] See Annex 2

[10] See Annex 3 for estimate of costs of quota for producers- expressed as an export tax equivalent. See also following section for China and Hong Kong's current open-market prices for export licenses.

[11] Current Mongolian tariff on import of cotton is 5%. Source Customs Service of Mongolia.

Mongolia's exports to the US which are at risk to increased competition from 1st January 2005

HTSUS Product	Description	US Exports (USD)	Quota Removal
61102020	Sweaters, pullovers and similar articles , knitted or crocheted, of cotton, nesoi	64,621,015	Jan.2005
62046240	Women's or girl's trousers, breeches and shorts, not knitted or crocheted, of cotton	38,061,677	Jan.2005
61101210	Sweaters, pullovers, sweatshirts, waistcoats and similar articles, knitted or crocheted, of cashmere.	9,847,032	Jan.2005
61046220	Women's or girls' trousers, breeches and shorts, knitted or crocheted , of cotton	8,305,980	Jan.2005
62034240	Men's or boys' trousers and shorts of cotton	7,170,095	Jan.2005
62052020	Men's or boys' shirts, not knitted or crocheted, of cotton	5,798,687	Jan.2005
61051000	Men's or boys' shirts, knitted or crocheted, of cotton	4,593,659	Jan.2005
63023190	Bed linen, not knitted or crocheted, not printed, of cotton	3,983,883	Jan.2005
62019220	Men's or boys' anoraks, windbreakers and similar articles, nesoi, not knitted or crocheted	3,581,132	Jan.2005
62053020	Men's or boys' shirts, not knitted or crocheted, of man-made fibers, nesoi.	2,605,335	Jan.2005

Total Value of At Risk Mongolian Textile and Apparel Exports (2003)
USD 183,442.975[12]

D5. The increase in competitive pressures for Mongolian products

Constrained quotas

Each of the Mongolian-made products set out in the table above competes in the US market with low-cost producers. All of these products are in quota categories which are heavily constrained. This indicates that the real level of supply potential is much higher than that represented by the import figures. Studies show that when quotas are removed from quota categories with strong constraints, supply tends to increase and price to drop.[13]

[12] Source US ITC
[13] Where a quota is filled to 75-80% by a country is it regarded as constrained. The US has a system of categorizing quota products. Mongolia's products fall into the following quotas: 333, 334, 335, 338, 339, 340, 345, 347, 348, 445, 446, 447, 448, and 640.

E. Experience of 3rd Stage of quota-removal (1st January 2002)

China is usually singled out in studies as the main beneficiary of quota elimination. It has huge production capacity, a very large labor force and labor costs substantially below those of the US as well as those of most of its important competitors. The following extract from a recent report prepared by the European Commission gives an idea of the changes brought about in the EU market after integration:

'Since joining the WTO in 2001, China has benefited from the progressive elimination of quotas in accordance with the Agreement on Textiles and Clothing. In 2002 imports of product categories liberalized for China under the 3rd stage of the ATC increased by 46% in value and 192% in volume terms, with an average price drop of 50%. In all those product categories, EU imports from all over the world minus China dropped by 13% in value and 11% in volume, with a drop in unit prices of 2%, and this evolution has been more significant in certain product categories. The share of China in those products in value terms has passed from 25% in 2001 to 38% during the first half of 2003; in volume, China's share of less than 14% in 2001 has gone to 37% in the first half of 2003.' [14]

F. 4th (final) stage of quota removal

About half of Chinese textile and clothing exports are subject to quota until 2005

(Including all of the products listed for Mongolia above). In these quota categories China has very high utilization (85% or more). Other countries also have heavily constrained quotas. Therefore it is reasonable to predict that a very substantial rise in the market share of Chinese products may occur after 2005. [15]

Judging from the experience under 3rd stage quota removal, Mongolia and other developing countries may expect their shares of the US market to come under pressure. According to a report prepared by the USTR in the first eight months of 2002, increases in Chinese exports to the US (+47% in clothing and +145% in textiles) appear to have been at the expense of apparel imports from Mexico and the Caribbean countries.' This is despite the fact that these countries have preferential trade agreements with the US.[16]

G. Quota administration cost and the pricing of quotas

The cost of quota administration and the need to purchase quotas will be eliminated for countries subject to quota.

A quota is a quantitative limitation and is the maximum number of garments that can be exported legally by a particular country to restraint markets (the US, EU, Canada and Norway) on an annual basis.

Where countries export to these restraint markets they typically operate a textile export control system. These work in different ways. Usually there is a process whereby individual firms may apply to an authorized body for a license to export a product in a certain amount.

In Hong Kong and China traders must obtain export licenses from the Trade and Industry Department and the Ministry of Foreign Trade and Economic Co-operation respectively. This involves a process of registration and the allocation of a textiles

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[14] The Future of the Clothing and Textiles Sector in the Enlarged European Union (Communication from the Commission to the Council, the European Parliament, The European Economic and Social Committee and the Committee of the Regions 29.10.2003)

[15] See Annex 6 for WTO predictions following full integration.

[16] NAFTA and CBTA.

control registration number. Application is then made under the free quota allocation system. Companies may also buy a quota on the open market from the respective quota holder or quota broker. The following prices, on the open market, are applicable for exports to the US of HK and China-sourced textiles:[17]

Hong Kong

Currency: HK$

Cat. No.	Description	Unit	Price
333/334	Coats, M and B	dozen	8.00
335	Coats, W and G	dozen	250.00
338/339	Knit shirts and blouses (other than tank tops and tops)	dozen	136.00
338/339(1)	Tank tops, and tops, knit	dozen	7.50
340	Shirts, not knit	dozen	68.00
345	Sweaters	dozen	210.00
347/348	Trousers, slacks and shorts (outer)	dozen	83.00
445/446	Sweaters	dozen	210.00
447/448	Trousers, slacks and shorts (outer)	dozen	290.00
640	Shirts, not knit	dozen	5.00

China

Currency: (HK$)

Cat. No.	Description	Unit	Price
334	Other men's and boys' coats, of cotton	dozen	39.00
338/9	Men's, boys', women's and girls' shirts, knitted, of cotton	dozen	7.00
338/9-S	Men's , boys', women's and girls' shirts, with collar and knitted, of cotton	dozen	29.00
340	Men's and boys' shirts, not knitted, of cotton	dozen	15.00
345	Pullovers, knitted, of cotton	dozen	50.00
347/8	Men's, boys', women's and girls' trousers, slacks and shorts, of cotton	dozen	34.00
445/6	Men's, women's, boys' and girls' sweaters, of wool	dozen	150.00
640	Men's and boys' shirts, not knitted, of man-made fibre	dozen	11.00

[17] Hong Kong Trade Development Council 27th July 2004. An estimate of the export tax equivalent of quota administration costs is set out in Annex 3.

SECTION II: MONGOLIA'S POLICY AND INDUSTRY OPTIONS

The removal of quotas on 1st January 2005 is likely to prove costly for Mongolia in terms of textile and apparel exports and jobs which depend on these.

As a member of the WTO, Mongolia's policy options are tied to the ATC and its unrelenting timetable for quota removal. This timetable seems unlikely to change. Rather than expending resources on participation in debates, which Mongolia will not influence, government and industry should confer around the following subjects:

A. Identification of cost reduction for producers

This is likely to include government action to secure better terms of trade with trade partners; and industry action to reduce its costs by maximizing economies of scale.

B. Policy options

Export diversification

Attempting to compete with high- volume, low- cost suppliers in the US market is unlikely to lead to economic growth for textiles and apparel after 2005 in Mongolia.

Industrial policy should reflect this.

Export diversification away from quota-constrained products

This has two parts: diversification away from products subject to high constrained quotas towards products which have under-utilized quotas[18]; and diversification towards products which still offer tariff protection in the US.

B1. Export diversification away from reliance on the United States

98% of Mongolia's textiles and apparel is exported to the US market. This makes Mongolia highly susceptible to policy initiatives which may be taken in the US aimed at China[19], but broadly written to circumvent the non-discriminatory provisions of the GATT. Mongolia should lobby the US government to ensure it is not ensnared in Sino-US trade disputes. The European Union is an additional market which offers some trade preferences for textiles and apparel, unlike the US.

B2. Pursuit of free trade arrangements with the United States

The US levies customs duties on Mongolian textile and apparel products of between 16-29%. Mongolia's customs tariffs average 5% for articles of apparel. There is room for negotiation. The US permits some imports, duty free to countries with which it has trade preferences. Mongolia should try to ensure any free trade negotiations are based on like preferences.[20]

B3. Pursuit of free trade agreements with the EU

The EU levies customs duties on Mongolian textile and apparel products averaging 12%. Mongolia's customs tariffs average 5% for articles of apparel and for all other products (with some seasonal exceptions).

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[18] See Annex 1 Alternative Quotas

[19] China's accession to the WTO was on terms which introduced a special safeguard for members. This safeguard allows countries to request China to voluntarily restrain exports of fiber products. The US has made use of this safeguard for five products at the time of writing. The status of Mongolia as a non-market economy opens it up to retaliation against all such countries.

[20] See Part 3 for product specific information.

B4. Maximize the use of existing trade preferences

Mongolia should associate itself with developing countries petitioning the US for an extension of Generalized System of Preference (GSP) or other preference to include textile and apparel products (much of which is statute-barred).

The EU grants tariff reduction of 20% off current MFN rates for Mongolian textiles and apparel, including Mongolia's major exports. Mongolia must convince the EU that its labor standards meet international minima and benefit from significant additional tariff reductions.[21]

B5. Pursue free trade arrangements with the Russian Federation

This option pre-supposes Russian WTO accession since it would complicate the current accession process. Russian tariffs average 25% and are unchanged in the latest Russian tariff offer.

C. Industry options:

After 2005 major purchasers of textile and apparel products are likely to favor suppliers of wide ranges of products. Mongolian producers should try to maximize economies of scale by co-operation and co-ordination within the cluster. In addition the identity of Mongolian, as distinct from Chinese, products should be supported.

An experimental model for such co-operation has been established in the cashmere industry where producers, bankers and wholesalers have agreed to open an outlet in Berlin for Mongolian products under the Mongolian fiber-mark. The EU market is targeted.

The development of industrial parks and free trade zones

[21] The EC currently allows 20% off the MFN rate for textiles. Mongolia has applied for additional tariff reduction for all products under the Special Incentive Arrangements for Labor. This application was made on the 26th March and confirmation of its examination on the 6th May from Pascal Lamy.

SECTION III: SUGGESTED ACTION FOR SPECIFIC MONGOLIAN PRODUCTS

61102020[22] Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi.[23]

Trade data:

US Imports Total (2003): $ US6,728,081,000
Mongolia exports total (2003):$US64,621,015
US tariff rate: 16.5% ad valorem (MFN) (NTR)
EU tariff: 12% (MFN)
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:	**Competitor trade preferences**
US FTA: No TIFA: Yes EU FTA: No US Generalized System of Preferences: Ineligible EU GSP: Eligible RTAs: No	African Growth and Opportunity Act: Not eligible Jordan-US FTA: Not eligible Singapore-US FTA: Eligible (tariff rate 0% ad valorem) Chile-US FTA: Eligible (tariff rate 0% ad valorem) Israel-US FTA: Eligible Andean Agreement: Not eligible NAFTA (Canada): Eligible NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): Honduras, **Guatemala**, **Mexico**, Vietnam, **Pakistan, Hong Kong**, **El Salvador**, **Turkey**, Peru, **Macao**, **China**, **India**, the **Philippines**, **Indonesia**, **Japan, Thailand**, Jordan, Australia, **Cambodia, Bangladesh,** Vietnam.

Countries with high constrained quotas with the US	**Constrained quota status**
Indonesia: 65.3% filled in 2003 China: 89.1% filled in 2003. Hong Kong: 86.2% filled in 2003. India: 61.3% filled in 2003. Philippines: 81.9% filled in 2003. Thailand: 87.1% filled in 2003 Cambodia: 57.5% filled in 2003. Vietnam: 94.7% filled in 2003	Cotton sweaters have very highly constrained quotas in the US **Quota removal** From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for cotton sweaters.

Increase competitiveness of product by tariff reduction

Mongolia must lower the cost of its products. One obvious area in which to do so is by a negotiated tariff reduction. The US tariff stands at 16.5% ad valorem and Mongolian exports at USD 64, 621, 015. Importers/exporters therefore pay USD 10.66m in duties- savings which could lower the price to the customer.

[22] All product references are to the Harmonized Tariff System of the United States (2004).
[23] Not elsewhere specified or included.

US-Mongolia FTA

Negotiation of such tariff reductions is problematic and is likely as part of a FTA only. Mongolia has signed a TIFA with the US which asserts the opportunity to reduce tariff and non-tariff barriers to trade. Mongolia should try to move this to a FTA negotiation as soon as possible. Negotiation should be on the US-Singapore model or the US-Chile model ideally since they have wide product coverage and O% tariff. A less attractive option is negotiation for terms similar to those contained in the AGOA since there is limited scope for use of non-US fabrics in manufacturing under the applicable rules of origin.[24]

Mongolia should stress that it offers better market access for textiles and apparel than does the US (5% versus 16.5%). It should seek equivalence at least. It should also be emphasized that Mongolia's competitive position will worsen as and when the US concludes FTAs and RTAs with preferential rates for products such as cotton sweaters.

US GSP

US GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs. Many of the member countries of these have large textile and apparel industries and greater bargaining power with the US. However that very scale could easily count against them where the US adopts a more protectionist policy towards its textiles industry.

EU-Mongolia FTA

A FTA with the European Union is desirable, but the case is undermined by paucity of trade. The EU levies a tariff of 12% ad valorem on Mongolian cotton sweaters while Mongolia's MFN rate is only 5%.

The EU GSP

Mongolia currently benefits from tariff preferences under the General Arrangements only**.** This provides for a reduction of MFN ad valorem duties by a flat rate of 3.5 percentage points. As an illustration an MFN rate of 14% would therefore become one of 11.5%. There are some additional rules applicable for textiles and the reduction is slightly less (20% off the MFN rate).

However Mongolia may qualify for additional tariff reductions where its labor laws are consistent with international norms. This arrangement provides an additional tariff reduction which in general allows for the doubling at least of the tariff reduction under the general provisions. For example textiles would benefit from a 40% reduction.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[25]
Diversification towards products which still offer tariff protection in the US.
Please see the annex for a list of products which are shielded by high tariffs in the US.

[24] For detail of rules of origin applied by the US in different trade agreements see ANNEX 7
[25] See Annex 1

62046240 Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton

Trade Data:

US Imports Total (2003): $ US 5,261,119,000
Mongolia exports total (2003):$US 38,061,677
US tariff rate: 16.6% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12%
Preferential tariff programs applicable to this product:
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:	Competitor trade preferences
US FTA: No TIFA: Yes EU FTA: No US Generalized System of Preferences: Ineligible EU GSP: Eligible RTAs: No	African Growth and Opportunity Act: Not eligible Jordan-US FTA: Eligible (tariff rate 3.4% ad valorem) Singapore-US FTA: Eligible (tariff rate 0% ad valorem) Chile-US FTA: Eligible (tariff rate 0% ad valorem) Israel-US FTA: Eligible Andean Agreement: Not eligible NAFTA (Canada): Eligible NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor imports to the US

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): **Mexico, Hong Kong**, **Vietnam**, **Cambodia**, **Philippines**, **China, Indonesia**, **Guatemala, Turkey**, **DR**, Jordan, **Bahrain**, **Bangladesh**, **Macao**, Egypt, **Sri Lanka**, **Thailand**, Canada, **Mauritius**, Kenya.

Countries with high constrained quotas with the US	Constrained quota status
China: 94.9% filled in 2003. Bangladesh: 89.9% filled in 2003. Hong Kong: 82.8% filled in 2003. Philippines: 100% filled in 2003. Thailand: 94.2% filled in 2003. Cambodia: 93.4% filled in 2003. Guatemala: 80.4% filled in 2003. India: 85.8% filled in 2003. Indonesia: 89.6% filled in 2003. Pakistan: 96% filled in 2003. Vietnam: 98.9% filled in 2003.	Women's or girls' cotton trousers have very highly constrained quotas in the US Quota removal From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for Women's and girls' cotton trousers.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. The US tariff stands at 16.6% ad valorem and Mongolian exports at 38,061,677 USD . Importers/exporters therefore pay USD 6,318,238 in duties.

US-Mongolia FTA

Duty free trade desirable and should be included in any negotiation.
US GSP

US GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian women's or girls' trousers while Mongolia's MFN rate is only 5%.

The EU GSP

Women's and girls' trousers qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labour this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[26]

Diversification towards products which still offer tariff protection in the US.

[26] See Annex 1

<table>
<tr><td colspan="2">61101210 Sweaters, pullovers, sweatshirts, waistcoats, vests and similar articles, knitted or crocheted, of cashmere (goats) wholly of cashmere.</td></tr>
<tr><td colspan="2"><u>Trade data</u>
US Imports Total (2003): $ US 319,105,000
Mongolia exports total (2003):$US 9,847,032
US Tariff rate: 4% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.</td></tr>
<tr><td><u>Preferential tariff programs applicable to this product:</u>
US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No</td><td><u>Competitor trade preferences</u>
African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 0% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)</td></tr>
<tr><td colspan="2"><u>Major competitor exporters to US market</u>
In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): Hong Kong, China, Italy, United Kingdom, Madagascar, Macao, Mongolia, Australia, New Zealand, Mauritius, Thailand, Philippines.</td></tr>
<tr><td><u>Countries with high constrained quotas with the US</u>
China. Subject to US quotas. 96.9% filled in 2003.
Hong Kong. Subject to US quotas.99.2% filled in 2003.
Macao. Subject to US quotas. 83.6% filled in 2003.</td><td><u>Constrained quota status</u>
Cashmere sweaters have very highly constrained quotas in the US

<u>Quota removal</u>
From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for cashmere sweaters.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is only 4% the saving would only 393,881 USD.</td></tr>
</table>

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

US GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian cashmere sweaters while Mongolia's MFN rate is only 5%.

The EU GSP

Cashmere sweaters qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labor this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas[27]

Diversification towards products which still offer tariff protection in the US.

[27] See Annex 1

<table>
<tr><td colspan="2">61046220 Women’s or girls’ trousers, breeches and shorts, knitted or crocheted of cotton,</td></tr>
<tr><td colspan="2"><u>Trade Data</u>

US Imports Total (2003): $ US 987,296,000
Mongolia exports total (2003):$US 8,305,980
US tariff rate: 14.9% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.</td></tr>
<tr><td><u>Preferential tariff programs applicable to this product:</u>

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No</td><td><u>Competitor trade preferences</u>

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Not Eligible (tariff rate 0% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)</td></tr>
<tr><td colspan="2"><u>Major competitor exporters to US market</u>

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): Mexico, Vietnam, Turkey, El Salvador, Guatemala, Honduras, Jordan, Singapore, Russia, Macao, Taiwan, Philippines.</td></tr>
<tr><td><u>Countries with high constrained quotas with the US</u>

China: 94.9% filled in 2003.
Bangladesh: 89.9% filled in 2003.
Hong Kong: 82.8% filled in 2003.
Philippines: 100% filled in 2003.
Thailand: 94.2% filled in 2003.
Cambodia: 93.4% filled in 2003.
Guatemala: 80.4% filled in 2003.
India: 85.8% filled in 2003.
Indonesia: 89.6% filled in 2003.
Pakistan: 96% filled in 2003.
Vietnam: 98.9% filled in 2003.</td><td><u>Constrained quota status</u>

Women’s and girls’ trousers, knitted or crocheted of cotton have very highly constrained quotas in the US

<u>Quota removal</u>

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for women’s or girls’ trousers of this type.</td></tr>
<tr><td colspan="2"><u>Increase competitiveness of product by tariff reduction</u>

Negotiated tariff reduction. US MFN rate is 14.9% on exports of USD 8,305,980. Importers/exporters therefore pay USD 1,237, 591 in customs duties.</td></tr>
</table>

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian women's and girl's trousers while Mongolia's MFN rate is only 5%.

The EU GSP

Women's and girl's trousers qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labour this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[28]

Diversification towards products which still offer tariff protection in the US.

[28] See Annex 1

62034240 Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton

Trade Data

US Imports Total (2003): $ US 4,840,655,000
Mongolia exports total (2003):$US 7,170,095
US tariff rate: 16.6% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No

Competitor trade preferences

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 3.4% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): Mexico, DR, Vietnam, Hong Kong, Guatemala, Cambodia, Nicaragua, Columbia, Bangladesh, Costa Rica, Indonesia, Egypt, China, Philippines.

Countries with high constrained quotas with the US

China: 94.9% filled in 2003.
Bangladesh: 89.9% filled in 2003.
Hong Kong: 82.8% filled in 2003.
Philippines: 100% filled in 2003.
Thailand: 94.2% filled in 2003.
Cambodia: 93.4% filled in 2003.
Guatemala: 80.4% filled in 2003.
India: 85.8% filled in 2003.
Indonesia: 89.6% filled in 2003.
Pakistan: 96% filled in 2003.
Vietnam: 98.9% filled in 2003.

Constrained quota status

Men's and boys' trousers, not knitted or crocheted of cotton have exceptionally highly constrained quotas in the US

Quota removal

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for men's and boys' trousers of this type.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is 16.6% on exports of USD 7,170,095 Importers/exporters therefore pay USD 1,190,235 in customs duties.

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian men's and boys' trousers while Mongolia's MFN rate is only 5%.

The EU GSP

Men's and boys' trousers qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labor this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[29]

Diversification towards products which still offer tariff protection in the US.

62052020 Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi

Trade Data

US Imports Total (2003): $ US 2,070,444,000
Mongolia exports total (2003):$US 5,798,687
US tariff rate: 19.7% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No

[29] See Annex 1

Competitor trade preferences

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 12.1% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): **Hong Kong, Bangladesh, India, Indonesia, Philippines, Sri Lanka, Malaysia**, Italy, **Taiwan**, **Mexico, Vietnam, China, Turkey, Mauritius, El Salvador, Cambodia, Macao, Thailand.**

Countries with high constrained quotas with the US

China: Subject to US quotas. 83.1% filled in 2003.
Bangladesh: Subject to US quotas. 77.2% filled in 2003 (nb includes 340/640)
Hong Kong: Subject to US quotas.85.3% filled in 2003
India:Subject to US quotas. 90.8% filled in 2003 (nb includes 340/640)
Philippines: Subject to US quotas. 62% filled in 2003.
Thailand: Subject to US quotas. 71.7% filled in 2003.
Cambodia. Subject to US quotas. 65.1% filled in 2003. (nb includes 340/640)
India. Subject to US quotas. 90.8% filled in 2003 (nb includes 340/640)
Indonesia. Subject to US quotas. 88.9% filled in 2003. (nb. Includes 340/640)
Vietnam. Subject to US quotas. 79.9% filled in 2003. (nb. Includes 340/640)

Constrained quota status

Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi have highly constrained quotas in the US

Quota removal

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for men's or boys' shirts of this type.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is 19.7% on exports of USD 5,798,687 Importers/exporters therefore pay USD 1,142,341 in customs duties.

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian men's and boys' trousers while Mongolia's MFN rate is only 5%.

The EU GSP

Men's and boys' shirts qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labor this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[30]

Diversification towards products which still offer tariff protection in the US.

61051000 Men's or boys' shirts, knitted or crocheted, of cotton

Trade Data

US Imports Total (2003): $ US 1,417,123,000
Mongolia exports total (2003):$US 4,593,659
US tariff rate: 19.7% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No

Competitor trade preferences

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 12.1% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold):

[30] See Annex 1

Pakistan, India, Peru, **Vietnam**, Honduras, **Thailand, Guatemala, El Salvador**, **Philippines**, **Sri Lanka**, Jordan, **Cambodia, Malaysia, Mexico, Indonesia, Turkey, China.**

Countries with high constrained quotas with the US

China: 87.6% filled in 2003 (nb. 338/339 included)
India: 91.6% filled in 2003 (nb. 338/339 included)
Philippines: 99.9% filled in 2003. (nb. 338/339 included)
Thailand: 93.3% filled in 2003. (nb. 338/339 included)
Cambodia: 80.8% filled in 2003. (nb. 338/339 included)
Indonesia: 98% was filled in 2003. (nb. Includes 338/339)
Malaysia. 98.3% was filled in 2003. (nb. 338/339 included)
Pakistan: 95.9% filled in 2003.
Vietnam: 91.2% filled in 2003. (nb. 338/339 included)

Constrained quota status

Men's or boys' shirts, knitted or crocheted, of cotton, nesoi have exceptionally highly constrained quotas in the US

Quota removal

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for men's or boys' shirts of this type.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is 19.7% on exports of USD 4,593,659 Importers/exporters therefore pay USD 904,950 in customs duties.

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation**.**

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian men's and boys' shirts of this type while Mongolia's MFN rate is only 5%.

The EU GSP

Men's and boys' shirts qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labour this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[31]

.Diversification towards products which still offer tariff protection in the US.

63023190 Bed linen, not knitted or crocheted, not printed, of cotton, not containing any embroidery, lace, braice

Trade Data

US Imports Total (2003): $ US 409,115,000
Mongolia exports total (2003):$US 3,983,883
US Tariff rate: 6.7% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No

Competitor trade preferences

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 0% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): **India, China, Pakistan**, Portugal, Italy, Israel, **Turkey, Indonesia, Philippines**, Egypt, **Thailand, Mexico, El Salvador,** France, Mongolia, **Bangladesh, Guatemala.**

[31] See Annex 1

Countries with high constrained quotas with the US

China: 53.6%, 87.2% and 74.2% respectively for 360,361 and 362.
Philippines. 95.9% filled for quota 361
Indonesia. 98.9% filled in 2003 for quota 361.
Pakistan: 98.3% and 99.2% filled in 2003 for quotas 360 and 361 respectively.
Turkey. 90.6% filled in 2003 for quota 361.

Constrained quota status

Bed linen, not knitted or crocheted, not printed, of cotton, not containing any embroidery, lace, has exceptionally highly constrained quotas in the US

Quota removal

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for bed linen.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is 6.7% on exports of USD 3,983,883
Importers/exporters therefore pay USD 266,920 in customs duties.

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian men's and boys' shirts of this type while Mongolia's MFN rate is only 5%.

The EU GSP

Men's and boys' shirts qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labor this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[32]

Diversification towards products which still offer tariff protection in the US.

62019220 Men's or boys' anoraks, windbreakers and similar articles nesoi, not knitted or crocheted

[32] See Annex 1

Trade Data

US Imports Total (2003): $ US 265,835,000
Mongolia exports total (2003):$US 3,581,132
US Tariff rate: 9.4% ad valorem (Most Favoured Nation (NTR)
EU tariff rate: 12% MFN
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No

Competitor trade preferences

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 0% ad valorem)
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): **Mexico, China, Hong Kong, Sri Lanka, Bangladesh, Thailand, India, Indonesia, Macao, Vietnam, Korea, Pakistan**, Russia, **Philippines, Cambodia**, Mongolia, Italy, **Turkey.**

Countries with high constrained quotas with the US

China: Subject to US quotas. 92.3 % filled in 2003
India: Subject to US quotas. 75.8% filled in 2003 (nb. 334/634 included)
Thailand: Subject to US quotas.54.3% filled in 2003. (nb.334/634 included)
Bangladesh. Subject to US quotas. 92.4 % filled in 2003.
Cambodia. Subject to US quotas. 79% filled in 2003. (nb. 334/634 included)
Indonesia. Subject to US quotas. 97.3% filled in 2003 (nb. 334/335 included)
Pakistan. Subject to US quotas. 88.3% filled in 2003. (nb. 334/634 included)
Vietnam. Subject to US quotas. 100% filled in 2003 (nb. 334/335 included)

Constrained quota status

Men's or boys' anoraks, windbreakers and similar articles nesoi, not knitted or crocheted

Quota removal

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for men's or boys' shirts of this type.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is 9.4% on exports of USD 3,581,132 Importers/exporters therefore pay 336,626 USD in customs duties.

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs.

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian men's and boys' anoraks of this type while Mongolia's MFN rate is only 5%.

The EU GSP

Men's and boys' anoraks qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labour this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[33]

Diversification towards products which still offer tariff protection in the US.

62053020 Men's or boys' shirts, not knitted or crocheted, of man-made fibers, nesoi

Trade Data

US Imports Total (2003): $ US 645,489,000
Mongolia exports total (2003):$US 2,605,335
US tariff rate: 25.9% ad valorem (Most Favoured Nation (NTR) + 29.1 US cents/kg
EU tariff: 12%
US quota status: Unrestricted where Mongolia sourced
ATC integration into global trading system? Yes. 1st January 2005.

Preferential tariff programs applicable to this product:

US FTA: No
TIFA: Yes
EU FTA: No
US Generalized System of Preferences: Ineligible
EU GSP: Eligible
RTAs: No

[33] See Annex 1

Competitor trade preferences

African Growth and Opportunity Act: Not eligible
Jordan-US FTA: Eligible (tariff rate 15.9% ad valorem) +US cents 17.8
Singapore-US FTA: Eligible (tariff rate 0% ad valorem)
Chile-US FTA: Eligible (tariff rate 0% ad valorem)
Israel-US FTA: Eligible
Andean Agreement: Not eligible
NAFTA (Canada): Eligible
NAFTA (Mexico): Eligible (tariff rate 0% ad valorem)

Major competitor exporters to US market

In 2003 the major exporters to the US market of these products in USD terms are set out below (in descending order of importance and with MFA countries in bold): **Korea, Mexico, China**, Honduras, **Vietnam, Bangladesh, Indonesia, Thailand, El Salvador, India, Hong Kong, Sri Lanka, Cambodia, Guatemala,** Canada, **DR, Philippines, Macao,** Russia.

Countries with high constrained quotas with the US

China: Subject to US quotas. 90.6 filled in 2003.
Bangladesh: Subject to US quotas. 77.2% filled in 2003 (nb includes 640/340)
India:Subject to US quotas. 90.8% filled in 2003 (nb includes 640/340)
Cambodia. Subject to US quotas. 65.1% filled in 2003. (nb includes 640/340)
India. Subject to US quotas. 90.8% filled in 2003 (nb includes 640/340)
Indonesia. Subject to US quotas. 88.9% filled in 2003. (nb. Includes 640/340)
Vietnam. Subject to US quotas. 79.9% filled in 2003. (nb. Includes 640/340)

Constrained quota status

Men's or boys' shirts, not knitted or crocheted, of man-made fibers, nesoi

Quota removal

From 1st January 2005 countries with high constrained quotas will engage in intensified competition for market share in the US for men's or boys' shirts of this type.

Increase competitiveness of product by tariff reduction

Negotiated tariff reduction. US MFN rate is 25.9% ad valorem (Most Favoured Nation (NTR) + 29.1 US cents/kg on exports of USD 2,605,335

Importers/exporters therefore pay 674,781 USD in customs duties, ad valorem + 29.1c/kg.

US-Mongolia FTA

Duty-free trade desirable and should be included in any negotiation.

US GSP

GSP is not extended currently to apparel. Mongolia should associate itself with any petition to extend product coverage since this would allow for duty-free entry to the US market.

Regional Trade Agreements

Mongolia should examine the negotiating positions of RTAs**.**

EU-Mongolia FTA

The EU levies a tariff of 12% ad valorem on Mongolian Men's or boys' shirts, not knitted or crocheted, of man-made fibers, nesoi while Mongolia's MFN rate is only 5%.

The EU GSP

Men's or boys' shirts, not knitted or crocheted, of man-made fibers, nesoi qualify for general tariff reduction under the general arrangements. This means 20% off the MFN rate of 12%. With additional tariff reduction under the special incentive arrangements for labour this would increase to 40% off the MFN rate.

Export diversification away from quota-constrained products

Diversification away from products subject to high constrained quotas towards products which have under-utilized quotas.[34]
Diversification towards products which still offer tariff protection in the US.

[34] See Annex 1

ANNEX A: ALTERNATIVE QUOTAS (LESS CONSTRAINED) PRINCIPLE COMPETITORS

ANNEX A: ALTERNATIVE QUOTAS (LESS CONSTRAINED) PRINCIPLE COMPETITORS

U.S. TEXTILE AND APPAREL CATEGORY SYSTEM (2004) (UTACS)

200 series are of cotton and/or man-made fiber
300 series are of cotton
400 series are of wool

Note: Lists of products (HTSUS coded) are available under each UTACS number by visiting http://otexa.ita.doc.gov/corr/htm

Country	UTACS	2003 USE (%)		
China	219	55.8		
	226	53.2		
	237	60.2		
	333	46.1		
	440	15		
	611	28.7		
	615	56.7		
Hong Kong	218/225/317/326	32.2		
	219	2.9		
	226/313	1.5		
	237	1.4		
	314	6.4		
	315	4.9		
	433	14.7		
	436	9.9		
	633/634	32.2		
	640	11.5		
Indonesia	200	44.7		
	219	36.5		
	225	14.9		
	331/631	0.2		
India	219	30.5		
	313	24.9		
	314	14.6		
	326	32.4		
Cambodia	331/631	0		
	345	57.5		

	435	5.3		
	438	25.6		
	445/446	6.0		
	645/646	4.6		
Thailand	218	7.5		
	300	4.5		
	331/631	0		
	433	0.1		
	438	27.0		
	604	12.7		
	614	21.7		
	617	26.2		
Philippines	237	1.1		
	331/631	12.5		
	333/334	27.4		
	633	18.8		
Vietnam	332	7.5		
	333	28.2		
	440	0		
	632	42.2		

Source: *http://otexa.ita.doc.gov/corr/htm*.
http://www.cbp.gov/linkhandler/cgov/import/textiles_and_quotas/archived/2003_year

ANNEX B: FOREIGN INVESTMENT COMPANIES IN THE TEXTILE INDUSTRY (COUNTRY AND YEAR OF INVESTMENT)

ANNEX B: FOREIGN INVESTMENT COMPANIES IN THE TEXTILE INDUSTRY (COUNTRY AND YEAR OF INVESTMENT)

No.	Country	Total	1992	'93	'94	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04
1	China	40			3		1	3	5	13	6	4		3	2
2	S.Korea	20				1		2	1	3	10	1	2		
3	Russia	4	1	1				1							1
4	Japan	1				1									
5	Germany	1				1									
6	USA	4								3	1				
7	HK	14		1	2	1			4	2	1		1	2	
8	GB	3					1		1	1					
9	Taiwan	9				2				4		3			
10	Virgin Islands (UK)	3									1	1		1	
11	Holland	1								1					
12	Bermuda (UK)	1									1				
13	US/China	3	1							2					
14	US/Canada	1							1						
15	US/HK	1												1	
16	Holland/China	1								1					
	Total	**107**													

Source: *Foreign Investment and Foreign Trade Agency of Mongolia*.

ANNEX C: QUOTA AS EXPORT TAX EQUIVALENT (EXTRA PRODUCT COSTS) US AND CANADA MARKET

ANNEX C: QUOTA AS EXPORT TAX EQUIVALENT (EXTRA PRODUCT COSTS) US AND CANADA MARKET

Country estimated component of price	Quota as
China	33%
Hong Kong	6%
Indonesia	8%
India	34%
Cambodia	N/A
Thailand	14%
Philippines	8%
Vietnam	8%

Source: *WTO*

ANNEX D: LETTER FROM TEXTILE INDUSTRIES TO WTO

ANNEX D: LETTER FROM TEXTILE INDUSTRIES TO WTO

'Istanbul Declaration '

"Dear Director General of the World Trade Organization,

We the undersigned are representatives of textile and clothing producers from countries and regions throughout the globe. We have joined together to call upon the World Trade Organization (WTO) to act immediately to extend the deadline for implementation of the final integration stage to December 31, 2007. We believe that it is critical that the WTO take this step as soon as possible
for the following reasons:

1) Circumstances associated with the textile and clothing quota integration process have changed dramatically since the adoption of the Uruguay Round and the initiation of the quota phase-out process in 1995. For example, the January, 2002 admission of the People's Republic of China into the WTO represents a substantial and material condition not contemplated when our countries agreed to the Uruguay Round timetable for the quota phase out. The fact that China will now be treated as a WTO member for purposes of the phase out has irrevocably altered the reasonable transformation of global production and sourcing patterns that the elimination of quotas had originally intended.

2) As numerous credible studies have shown, if quotas are removed on January 1st, 2005 global textile and clothing trade will be monopolized by a few countries such as China. The consequence will be massive job disruption and business bankruptcies in dozens of countries dependant upon textile and clothing exports.

In textile categories in the United States where a number of quotas have already been eliminated, China has taken almost 60 percent of the market in less than two years and is continuing to increase its share. Chinese textile exports have also quickly captured a dramatic portion of the market in other regions and countries, including the EU, Japan, and Australia. China's massive growth has come at the expense of virtually all other participants in the market, especially the least developed and the developing countries which are poised to lose as many as 30 million jobs due to the quota phase-out.

3) As the quota phase-out draws to a close, it is evident that trade in this sector has been compromised by the use of trade distorting practices in a few dominant countries. These practices include deliberate currency undervaluation, state subsidies and the proliferation of non-performing loans and rebate schemes, among others. For example, such trade distorting practices have allowed China to drop prices for textile and apparel products by as much as 75 percent, and have given China an unassailable and unfair advantage in world markets for textiles and clothing.

4) The phase-out of textile and clothing quotas was intended to liberalize trade for all nations, not to ensure domination of world trade in textiles and clothing by countries that use unfair trade practices. The creation of a monopoly position by a very few countries will be disasterous to the health and well being of the many developing world economies that are dependent of this vital export sector.

Accordingly, we urge the World Trade Organization to act immediately to extend the deadline for implementation of the final integration stage to December 31, 2007. During the interim period, WTO members should undertake a full review of global textile and clothing production, export and market circumstances so as to determine whether to finalize the phase-out process on January 1, 2008 or to develop an appropriate alternative arrangement.

Due to the threat of massive trade and economic disruption associated with the ending of the current textile regime on January 1, 2005, we strongly urge the World Trade Organization to convene an emergency session to discuss this proposal not later than July 1, 2004.

Thank you for your attention to this critical request.

ITKIB Textiles
Turkish Textile and Raw Materials Exporters Association
American Textile Manufacturers Institute (ATMI)
ITKIB Apparel
Turkish Ready Wear and Garments Exporters Association
American Manufacturers Trade Action Coalition
AMTAC
TGSD
Turkish Clothing Manufacturers Association
Mexico National Textile Chamber
CANAINTEX
TUTSIS
Turkish Textile Employers Association”

ANNEX E: UNITED STATES' FINAL INTEGRATION BY PHASE

ANNEX E: UNITED STATES' FINAL INTEGRATION BY PHASE

2,760,330,164	SME	16.21%	1st Jan.1995
2,898,573,582	SME	17.03%	1st Jan. 1998
3,083,215,683	SME	18.11%	1st Jan. 2002
8,283,074,387	SME	48.65%	1st Jan. 2005
17,025,193,817	SME	100.00%	

***Note: SME** is square meter equivalent*
***Source**: US Office of Textiles.*

ANNEX F: WTO PROJECTED MARKET SHARES BEFORE AND AFTER QUOTA ELIMINATION, APPAREL, USA

ANNEX F: WTO PROJECTED MARKET SHARES BEFORE AND AFTER QUOTA ELIMINATION, APPAREL, USA

Before Full Elimination

Exporter Share (%)	Market
China	16
Americas	16
Mexico	10
Hong Kong	9
European Union	5
Chinese Taipei (Taiwan)	4
Philippines	4
Indonesia	4
India	4
Bangladesh	4
Rest of World	24

After Full Elimination (1st January 2005)

Exporter Share (%)	Market
China	50
Americas	5
Mexico	3
Hong Kong	6
Sri Lanka	2
Thailand	3
Philippines	2
Indonesia	2
India	15
Bangladesh	2
Rest of World	10

ANNEX G: RULES OF ORIGIN FOR YARN, FABRIC AND APPAREL (POSSIBLE NEGOTIATING POSITION FOR MONGOLIA)

ANNEX G: RULES OF ORIGIN FOR YARN, FABRIC AND APPAREL (POSSIBLE NEGOTIATING POSITION FOR MONGOLIA)

A. Central American Free Trade Agreement

Textiles and apparel will be duty-free and quota-free immediately if they meet the Agreement's rule of origin.The agreement's benefits for textiles and apparel will be retroactive to January 1, 2004. An unprecedented provision will give duty-free benefits to some apparel made in Central America that contains certain fabrics from NAFTA partners Mexico and Canada.

B. Trade and Development Act 2000

Title I of the Trade and Development Act of 2000 (TDA 2000) provides for duty- and quota-free treatment for certain textile and apparel articles imported from designated beneficiary sub-Saharan African countries. Section 112(b)(3) of TDA 2000 provides duty- and quota-free treatment for apparel articles wholly assembled in one or more beneficiary sub-Saharan African countries from fabric wholly formed in one or more beneficiary countries from yarn originating in the U.S. or one or more beneficiary countries. This preferential treatment is also available for apparel articles assembled in one or more lesser-developed beneficiary sub-Saharan African countries, regardless of the country of origin of the fabric used to make such articles. This special rule for lesser-developed countries applies through September 30, 2004. TDA 2000 imposed a quantitative limitation on imports eligible for preferential treatment under these two provisions.

The Trade Act of 2002 amended TDA 2000 to extend preferential treatment to apparel assembled in a beneficiary sub-Saharan African country from components knit-to-shape in a beneficiary country from U.S. or beneficiary country yarns and to apparel formed on seamless knitting machines in a beneficiary country from U.S. or beneficiary country yarns, subject to the quantitative limitation. The Trade Act of 2002 also increased the quantitative limitation but provided that this increase would not apply to apparel imported under the special rule for lesser-developed countries. The Trade Act of 2002 provides that the quantitative limitation for the year beginning October 1, 2003 will be an amount not to exceed 4.7931 percent of the aggregate square meter equivalents of all apparel articles imported into the United States in the preceding 12-month period for which data

(**Authority:** Title I, Section 112(b)(3) of the Trade and Development Act of 2000, as amended by Section 3108 of the Trade Act of 2002; Presidential Proclamation 7350 of October 4, 2000 (65 FR 59321); Presidential Proclamation 7626 of November 13, 2002 (67 FR 69459).

Andean Agreement

TITLE XXXI--ANDEAN TRADE PREFERENCE

ELIGIBILITY OF CERTAIN ARTICLES.--Section 204 of the Andean Trade Preference Act (19 U.S.C. 3203) is amended—

APPAREL ARTICLES ASSEMBLED FROM PRODUCTS ASSEMBLED OF THE UNITED STATES OR ATPDEA BENEFICIARY COUNTRIES OR PRODUCTS NOT AVAILABLE IN COMMERCIAL QUANTITITES.--Apparel articles sewn or otherwise assembled in 1 or more ATPDEA beneficiary countries, or the United States, or both, exclusively from any one or any combination of the following:

“ Fabrics or fabric components wholly formed, or components knit-to-shape, in the United States, from yarns wholly formed in the United States or 1 or more ATPDEA beneficiary countries (including fabrics not formed from yarns, if such fabrics are classifiable under heading 5602 or 5603 of the HTS and are formed in the United States). Apparel articles shall qualify under this sub-clause only if all dyeing, printing, and finishing of the fabrics, from which the articles are assembled, if the fabrics are knit fabrics, is carried out in the United States. Apparel articles shall qualify under this sub-clause only if all dyeing, printing, and finishing of the fabrics from which the articles are assembled, if the fabrics are woven fabrics, is carried out in the United States. ”